

Message Text

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C O N F I D E N T I A L ACCRA 0442

E.O. 11652: GDS

TAGS: EFIN EAID PFOR GH

SUBJ: DISCUSSION WITH NRC CHAIRMAN ACHEAMPONG:

DEBT SETTLEMENT

REF: ACCRA 348

1. SUMMARY - IN COURSE LONG CONVERSATION JANUARY 22, NRC CHAIRMAN OUTLINED TO AMBASSADOR HIS VIEWS ON DEBT QUESTION. GIST HIS VIEW WAS THAT GHANA COULD NOT ASSUME COMMITMENT TO PAY UNTIL IT ABLE FULFILL OBLIGATION. TEN-YEAR GRACE PERIOD THUS ESSENTIAL; TWO PERCENT INTEREST VERY IMPORTANT; OTHER PRINCIPAL ELEMENTS MORE EASILY SUBJECT TO AGREEMENT. STRONGLY DESIRED SETTLEMENT AS PART OF DEVELOPING FIVE-YEAR PLAN. RECOGNIZED RELATIONSHIP OF DEBT SETTLEMENT TO FUTURE ASSISTANCE. HOPED FOR EARLY RESOLUTION OF PROBLEM. EMBASSY BELIEVES NEXT FEW WEEKS MAY BE DECISIVE AND RECOMMENDS ACTION DESIGNED CLINCH AGREEMENT. END SUMMARY.

2. AFTER DISCUSSING GENERAL ECONOMIC DEVELOPMENTS OVER THE PAST TWO YEARS, IN WHICH I NOTED GHANA GOOD FORTUNE OF HIGH PRICES RAW MATERIALS, I OBSERVED, DEADPAN, THAT GHANA HAD ALSO BENEFITED FROM THE FACT THAT IT HAS NOT PAID ITS DEBTS
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DURING THIS PERIOD. ACHEAMPONG LAUGHED AT THIS NEEDLE AND

MOVED ON HIS OWN INITIATIVE TO A DISCUSSION OF THE DEBT QUESTION. AFTER OBSERVING THAT, IN FACT, GHANA HAD BEEN PAYING ITS SHORT TERM DEBTS TO THE BEST OF ITS ABILITY, HE DEVELOPED WITH GREAT EMPHASIS AND SERIOUSNESS HIS CONCEPT OF THE DEBT PROBLEM. FIRST, NKURUMAH AND HIS MINISTERS HAD BEEN HIGHLY IRRESPONSIBLE IN ASSUMING ALL SORTS OF DEBTS WITHOUT RELATIONSHIP TO EFFECTIVE ECONOMIC PLANNING. THE NLC AND THE BUSIA GOVERNMENT HAD LIKEWISE WORKED ON AN AD HOC BASIS, SO THAT THE NRC WAS FACED WITH AN ECONOMIC BURDEN FAR BEYOND THE CAPACITY OF THE GOVERNMENT TO PAY. THERE WAS NO DOUBT IN HIS MIND THAT AN OBLIGATION TO PAY DEBTS EXISTED. IN FACT, HE REFERRED TO HIS OWN PERSONAL ANTIPATHY IN HIS PRIVATE LIFE TO HAVING ANY OUTSTANDING DEBTS OF HIS OWN. AT THE SAME TIME, IT WOULD BE A CONTINUATION OF THE IRRESPONSIBLE VIEWS OF HIS PREDECESSORS IF HE AGREED TO A DEBT SETTLEMENT WHICH GHANA COULD NOT CARRY OUT.

3. FOR THIS BASIC REASON, HE BELIEVED THAT A 10-YEAR GRACE PERIOD WAS ABSOLUTELY ESSENTIAL. IT WOULD GIVE TIME TO IMPLEMENT THE 5-YEAR PLAN WHICH HE HAD REQUESTED MAJOR FELLI TO SUPERVISE. MOREOVER, SINCE THE FOCUS ON THIS PLAN WOULD MOST CERTAINLY INVOLVE AGRICULTURAL EXPANSION, IT WOULD TAKE TIME TO REALIZE BENEFITS OF ANY SUCH DEVELOPMENT PLAN. SECOND POINT, OF COURSE, WAS THE RATE OF INTEREST AT TWO PERCENT. DURING THIS GRACE PERIOD THE GHANA GOVERNMENT WOULD BE PAYING OFF ITS SHORT TERM OBLIGATIONS. THE INTEREST RATE, HE INDICATED, SHOULD NOT BE SO HIGH AS TO IMPAIR THIS EFFORT, LET ALONE DEPRIVE THE DEVELOPMENT PLAN OF BADLY NEEDED RESOURCES. WHEN I OBSERVED THAT THERE WAS ALSO THE PROBLEM OF CONTRACT REVIEW, HE SAID THAT IF THE REST OF THE AGREEMENT COULD BE WORKED OUT, THE CONTRACT REVIEW PROBLEM COULD BE SETTLED IN A MATTER OF A FEW WEEKS.

4. IN MY COMMENTS ON HIS DISCUSSION OF THIS MATTER, I NOTED THAT THE CREDITORS HAD COME A LONG WAY TO MEET GHANA NEEDS, BUT THEY COULD NOT IN THE ENTIRETY OF THE AGREEMENT BE EXPECTED TO PROVIDE MORE SIGNIFICANTLY FAVORABLE TERMS. I ADDED THAT IN MY PERSONAL VIEW THE NEXT MONTH OR SO MIGHT BE THE LAST OPPORTUNITY FOR SETTLEMENT ALONG LINES PROPOSED BY CREDITORS SINCE THE EUROPEAN COUNTRIES IN PARTICULAR SEEM HEADED FOR

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SERIOUS ECONOMIC PROBLEMS OF THEIR OWN. FINALLY, I MENTIONED BRIEFLY THE PERSONAL FACTOR IN THAT MR. LEQUESNE, WHO HAD DONE A GREAT DEAL TO BRING ALONG OTHER CREDITOR NATIONS, WOULD SHORTLY BE LEAVING TO BECOME HIGH COMMISSIONER IN NIGERIA AND THE LOSS OF HIS LEADERSHIP WOULD CERTAINLY BE FELT IF NEGOTIATIONS DRAGGED ON.

5. ACHEAMPONG APPEARED TO AGREE TO THESE VARIOUS POINTS. IN

CONCLUSION HE ASKED ME TO USE MY INFLUENCE TO IMPRESS UPON THE CREDITORS THE SERIOUSNESS WITH WHICH HE VIEWED THE PROBLEM, THE NEED TO PROVIDE GHANA WITH A WORKABLE REPAYMENT PLAN, AND HIS DESIRE TO SEE THIS PROBLEM SOLVED. I DEMURRED AT HIS INTERPRETATION OF MY INFLUENCE OR THAT OF USG, BUT PROMISED TO REFLECT HIS VIEWS TO MY GOVERNMENT.

6. COMMENT: ACHEAMPONG SEEMED TO ME TO BE WELL INFORMED ON THE BASIC ELEMENTS OF THE DEBT PROBLEM. I HAVE DISTINCT IMPRESSION THAT HE WENT OUT OF HIS WAY TO DISCUSS HIS BASIC APPROACH WITH ME. I BELIEVE THAT IF THE CREDITORS WILL MATCH HIS EARNEST INTENTIONS FOR A SETTLEMENT, AN AGREEMENT IS POSSIBLE DURING THE COMING WEEKS. I SUGGEST FOUR SPECIFIC COURSES OF ACTION:

A. CREDITORS SHOULD BE URGED TO WIND UP CONSULTATION QUICKLY, SO AS TO TAKE ADVANTAGE OF GHANAIAN WILLINGNESS TO MOVE ON THE PROBLEM.

B. UK AND US, AT LEAST, SHOULD LOOK SERIOUSLY AT THE QUESTION OF WHETHER OR NOT ONE HALF OF ONE PERCENT COULD, AS A LAST RESORT, BE SHAVED OFF THE INTEREST RATE.

C. SINCE, AS NOTED ELSEWHERE (ACCRA 348) CREDITORS MIGHT BE ABLE HELP OWN CAUSE BY BEING MORE SYMPATHETIC TO GHANAIAN PROBLEM OF CONTRACT REVIEW, UK CHAIRMAN LEQUESNE SHOULD MAKE INFORMAL APPROACH TO VERIFY GOG NEEDS THIS ISSUE.

D. FINALLY, A NEW LOOK MIGHT BE TAKEN AT THE NEXT IMMEDIATE STEP. FOR EXAMPLE, IF UK CHAIRMAN LEQUESNE (AND HOPEFULLY IBRD REP) COULD INFORMALLY VISIT GHANA BEFORE FEBRUARY 15, THERE IS REAL POSSIBILITY HE COULD WORK OUT ESSENTIAL DETAILS WITH GOG NEGOTIATOR ASHLEY-LASSEN, THUS ASSURING ROME MEETING
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WOULD BE SIMPLE SIGNATURE CEREMONY.
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